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IN THE
Supreme Court of the United States

OCTOBER TERM, 1925

No. 220.

PHILIP A. LUCKETT, APPELLANT,

vs.

DELPARK, INCORPORATED, AND PARKER, FORD AND
DICK, INCORPORATED

BRIEF FOR APPELLEES



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SUPREME COURT OF THE UNITED STATES,

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No. 220

PHILIP A. LUCKETT, Appellant,

vs.

DELPARK, INCORPORATED, AND PARKER, FORD AND
DICK, INCORPORATED

APPEAL FROM THE DISTRICT COURT OF THE UNITED STATES
FOR THE DISTRICT OF NEW JERSEY

BRIEF FOR APPELLEES

This was a bill in equity filed in the District Court for the District of New Jersey, alleging that the complainant is a citizen of Connecticut and the defendants, corporations, respectively, of the State of New York and State of Maryland, each "having an office and place of business" in New Jersey "and there and elsewhere within the United States committing the acts hereinafter complained of" (*R.*, p. 3) and that the jurisdictional amount requisite in suits based on diverse citizenship is involved (*R.*, p. 9).

The defendants, appearing "for the purpose of this motion only and for no other purpose", moved for an

order vacating the service of process and dismissing the bill on the ground that the Court was without jurisdiction, as neither the plaintiff nor any one of the defendants is a citizen or resident of New Jersey (*R.*, p. 20).

The District Court granted the motion, filing a memorandum opinion which recites the nature of the bill and the relief sought thereby, as appearing from the bill itself and also as then put by the plaintiff in his brief (*R.*, p. 23-7).

The disposition of this appeal seems to involve chiefly an understanding of the bill and the relief sought.

The Bill of Complaint and the Relief Sought.

The bill alleges in substance:—

(II-IV) Two patents for Improvements in Union Suits were issued to the plaintiff. One of them is alleged to be a generic patent and the other a specific patent.

(V-XI) Four contracts were made as follows:—

Exhibit A. An agreement dated November 19, 1915, between The P. A. Luckett Company (the predecessor of the defendant Parker, Ford & Dick, Inc.) and the plaintiff Philip A. Luckett, as licensors, and the defendant Delpark, Inc. as licensee, under which—

(i) The licensee received a non-exclusive license to make union suits covered by the claims of the generic patent, for a royalty of three-fourths of one per cent., payable to the licensors; and

(ii) The licensee agreed to give access to its books and keep separate accounts.

✓ The bill alleges the plaintiff's construction of certain terms in the license agreement and his reasons for claiming that all the royalties should be paid to him and not to both licensors as the contract provides (*p. 5*).

Exhibit B. A supplementary agreement dated December 7, 1915, between the same parties, wherein the license of the prior agreement (Exhibit A) is made exclusive and extended to the Dominion of Canada, the royalties remaining the same.

✓ The bill alleges again that The P. A. Luckett Company should not have been joined as a licensor and that all the royalties belong to the plaintiff, (*R., p. 6*).

Exhibit D. (There is no Exhibit C.) An agreement dated January 27, 1916, between the plaintiff and The P. A. Luckett Company, to which the defendant Delpark, Inc. was not a party, whereby—

(i) Plaintiff assigned to that company the specific patent,—said to cover a garment called “My Pal”;

(ii) The P. A. Luckett Company agreed to pay to the plaintiff a certain sum or sums per garment, to keep books and render statements;

(iii) The P. A. Luckett Company agreed to use its utmost endeavor “to promote the manufacture and sale” of the invention covered by the patent; and

(iv) In the event of breach by The P. A. Luckett Company, the agreement and assignment were to be void and the rights under the patent were to revert to the plaintiff on thirty days’ notice.

Exhibit E. An agreement dated January 9, 1917, whereby The P. A. Luckett Company assigned and transferred to The Luckett Company the specific patent, subject to the performance by the grantee of the agreement Exhibit D.

The bill then alleges that the corporate name of The Luckett Company, by proper proceedings in Maryland, was changed to Parker, Ford & Dick, Inc., the present name of the corporation defendant (*R.*, p. 7).

(XII-XVII) Having recited these agreements, the bill alleges that—

(i) The plaintiff has been denied access to the books of the defendant corporations, statements have not been filed as required by the agreements,

and no part of the royalties due him has ever been paid (*R.*, p. 7);

(ii) That about November 27, 1918, he gave notice in writing to The Luckett Company, cancelling his agreement of January 27, 1916 (Exhibit D) with The Luckett Company;

(iii) The Luckett Company and its successor, the defendant Parker, Ford & Dick, Inc., have not performed the obligation of the agreements of January 27, 1916 and January 9, 1917 (Exhibits D and E) to use every reasonable effort to market the garment covered by the specific patent (*R.*, p. 8).

(iv) Delpark, Inc. have acquired control of Parker, Ford & Dick, Inc. and induced it "to violate its contracts and agreements" with the plaintiff and advanced fictitious claims "to avoid said payments of royalties which are due to your orator solely and alone" (*pp.* 8-9).

(v) The P. A. Luckett Company has wholly ceased to exist.

(vi) Delpark, Inc. is a large concern with substantial capital which has been actively engaged in the manufacture and sale of the Delpark garment so-called, which infringed the claims of the patents; "and that large numbers of the said garment have been made and sold upon which royalties are now due to your orator, the amount of which he is wholly unable to state with definiteness, but which is far larger than three thousand dollars, exclusive of interest and costs; and that though often requested as hereinbefore set out, no accounting has ever been had between your orator and Delpark, Incorporated, or Parker, Ford & Dick, Inc., either as to royalties due or as to damages for failure to observe the contract to exploit the 'My Pal' garment.

"To the end, therefore", etc. (*R.*, p. 9).

✓ The relief sought is, *first*, the performance of the contracts and an accounting of royalties thereunder; *second*,
✓ an order directing the corporation Parker, Ford & Dick,
✓ Inc. to execute a reassignment of the specific patent to the plaintiff; *third*, damages against the defendant corporation Parker, Ford & Dick, Inc. for failure to carry out
✓ paragraph 7 of the agreement of January 27, 1916, (Exhibit D), to use its best endeavors to market the garment described in the specific patent; *fourth*, an order cancelling all the agreements; *fifth*, an injunction restraining the defendants from making the so-called Delpark garment or the so-called "My Pal" garment, or any other garment infringing the claims of the patents; and
finally, "an order sending the cause to a master to take and state the account of profits and damages, both as to royalties due and accrued and as to damages for suppression of the 'My Pal' garment; and to report the same to the court with all convenient speed, with his findings of fact and conclusions of law, for such further order as the Court shall see fit" (*R.*, pp. 9-11).

This bill does not assert that the plaintiff has a patent and that there is no license, or other thing, which stands in the way of his enforcing it. On the contrary, this bill asserts that the plaintiff has certain contract rights and wants them enforced and acted on by the Court. All relief prayed for every act of the defendants up to the time of the decision and decree of the Court, is based solely on contract. Only after the royalties and damages for breach of contract have been recovered, and the contracts set aside by the Court, will there be any patent right, and infringement thereof, asserted. Until then, all is contract. That possible future patent right and infringement, does not exist at the time the bill is filed and is immaterial (*American Bonding etc. Co. v. Gibson Co.*, 145 Fed. 871; 233 U. S. 164).

This is not a bill wherein the plaintiff says, in substance, My patent rights are being infringed and all that the defendants may say about my title or any license is mistaken, so that I have a right of action under the patent laws. It is a bill wherein the plaintiff says, in substance, I have made certain contracts with the defendants and pray that they be enforced.

Section 51 of the Judicial Code provides:—

“That where the jurisdiction is founded only on the fact that the action is between citizens of different States, suit shall be brought only in the district of the residence of either the plaintiff or the defendant.”

Here the plaintiff is alleged to be a citizen and resident of Connecticut. The corporations are alleged to be “organized and existing under the laws of” the States of

New York and Maryland, and are accordingly citizens and residents of those States and not New Jersey.

In re Keasbey & Mattison, 160 U. S. 221;
Shaw v. Quincy Min. Co., 145 U. S. 444;
Southern Pac. Co. v. Denton, 146 U. S. 209.

We submit that the lack of jurisdiction of the Federal Court in a district where none of the parties resides, over a case like that made by this bill, the gravamen of which is the assertion of contract rights and their enforcement, is established by all the relevant authorities:—

Odell v. F. C. Farnsworth Co., et al., 250 U. S. 501, 503;
Healy v. Sea Gull Specialty Co., 237 U. S. 479;
Blumenstock Brothers v. Curtis Publishing Co., 252 U. S. 441;
Lambert & Co. v. Baltimore & Ohio R. R. Co., 258 U. S. 383;
White v. Rankin, 144 U. S. 628;
Excelsior Wooden Pipe Co. v. Pacific Bridge Co., 185 U. S. 282;
Lowry v. Hert, 290 Fed. 876 (C. C. A. 6);
Atherton Machine Co. v. Atwood-Morrison, 102 Fed. 949, cited as “satisfactory” in 185 U. S. 282;
Standard Dental Mfg. Co. v. National Tooth Co., 95 Fed. 291. Opinion by Judge Gray who wrote also the opinion in the case last cited;
American Graphophone Co. v. Victor Talking Machine Co., 188 Fed. 431.

In the appellant's brief much emphasis is placed upon statements that the defendants here admit wrong and injustice, which should be remedied. So we respectfully point out:—

(i) The defendants here admit nothing. They simply point out that on the face of the bill the Court is without jurisdiction. It is sometimes said that a motion (or demurrer) admits the facts pleaded, for the purpose of the motion only. But that merely means that jurisdiction in such matters is tested by the allegations of the bill. It carries no implication that any of the charges of wrongdoing are to be taken as true.

(ii) The question is solely as to the tribunal where the dispute may be settled and not as to the merits of the dispute. There are several courts competent to hear and determine the matters set forth in the bill, but the federal court in New Jersey is not one of them.

It may be added that this bill seeks to impose on the Court a burden which it would have much difficulty in discharging. For instance, under the license agreements the defendants presumably would be estopped from questioning the validity of the patents, or introducing evidence concerning prior art and the like necessary for a proper determination of questions arising under the patent laws; and then, if and when the Court determined that the contract rights should be enforced as prayed, it would be confronted with the application for an injunction against future acts without proper evidence to show the merits of such an application.

The allegations of a bill for patent infringement are well-settled and entirely familiar. But this is not a bill

of that kind. It is a bill wherein the plaintiff sets up, and seeks relief under, contracts. He does not assert either patent rights or their infringement as existing when he comes into Court. He asserts only present contract rights and seeks first their enforcement, adding the prayer that after those contract rights are enforced and adjudicated (which disposes of all the acts of the defendant thus far) an injunction issue quia timet against acts which, if they occur, will, he thinks, then be acts of infringement. Such a bill is not within the jurisdiction of this District Court under the authorities cited.

The decision should be affirmed.

Respectfully submitted,

ARCHIBALD COX,
Counsel for Appellees.